



2500 Wilson Boulevard
Arlington, Virginia 22201-3834
703-907-7500
fax 703-907-7514
www.eia.org

April 27, 2005

The Honorable J. Dennis Hastert
Speaker of the House of Representatives
235 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Speaker:

I am writing in support of the Central American-Dominican Republic Free Trade Agreement (DR-CAFTA), which is expected to come before the Congress for a vote in the near future. This agreement enhances domestic competitiveness by opening significant markets to US exports, while promoting stability and economic growth in Central America and the Caribbean. The EIA requests your vote in favor of this important accord.

As you know, US exports to the DR-CAFTA nations have risen significantly in recent years. In 2004, US firms exported \$15.7 billion worth of goods to the six DR-CAFTA countries. Trade in electronics and high-tech products accounts for nearly \$4 billion of this figure – demonstrating the importance of this market for the US tech sector. In recent years, overall exports to the DR-CAFTA nations have grown at a rate three times greater than that of US exports overall. These exports support critical employment in the United States.

Yet despite the success of US exporters in the region, they continue to face high tariffs on some products. For example, Central American and Dominican tariffs on electronics and instrumentation remain as high as 20 percent, with average tariffs between 2.1 and 5.5 percent, depending on country. By eliminating trade barriers to the export of goods from the United States, adoption of the DR-CAFTA will encourage the creation and retention of high-tech jobs in the United States, where employers can take advantage of favorable terms of trade. Furthermore, because 99 percent of all US industrial exports will receive duty-free treatment immediately upon implementation of the agreement, these gains will be realized promptly, rather than 'phased-in' over an extended period. Also, the DR-CAFTA nations that have not yet become parties to the Information Technology Agreement (ITA), have agreed to do so as part of the DR-CAFTA.

It is worth noting that the DR-CAFTA agreement also protects the ability of manufacturers to take advantage of duty drawback. Duty drawback allows US manufacturers to recover the cost of duties paid on materials imported from third countries and subsequently exported again. This is an important step forward, and a

measure which should be included in future FTAs. For these reasons, the member companies of the EIA endorse this agreement, and request that the House and Senate consider enacting legislation in the near future.

Apart from the benefits it will deliver to the economy generally and the tech sector specifically, the DR-CAFTA holds the potential to significantly improve workers' rights in nations that are party to the agreement. The International Labor Organization has determined that labor laws on the books in Central America and the Dominican Republic are generally in line with that organization's core labor standards. The agreement has a three-track strategy to promote proper enforcement of these standards. First, it fines nations for failing to enforce their labor laws, using those fines to remedy those failures in a manner approved by the U.S. government. Second, it specifies ways that each nation can improve enforcement of existing laws. Lastly, it helps nations by providing the resources to make improvements. These labor provisions will provide significant support for workers in Latin America.

The DR-CAFTA supports and strengthens the transformation of Central America into a region of stable democracies and open markets. Relatively recently, Central America was home to several undemocratic regimes, with poor records of defending civil liberties and no interest in the development of democratic regimes. In recent decades, the DR-CAFTA nations have made great strides toward committing to open markets, democratic institutions and protection of workers' rights. The DR-CAFTA will 'lock-in' many of these reforms, making the transformation of this region more permanent. It will significantly enhance prospects for long-term economic growth and stability, by supporting the democratic, pluralistic governments that have been established.

Furthermore, by encouraging economic growth the DR-CAFTA holds the promise to significantly discourage illegal immigration to the United States. Indeed, the Department of Homeland Security reports that four of the DR-CAFTA nations are among the leading sources of undocumented immigrants to the United States. Enhanced economic opportunity in these nations will allow more potential immigrants to remain in their home countries, rather than come to the United States in violation of U.S. immigration laws.

The Dominican Republic-Central American Free Trade Agreement will deliver significant benefits to the United States. It encourages domestic economic growth, while promoting economic opportunity, stability and democratic values in our hemisphere. We believe this agreement is a 'win-win' for the United States, and warrants the full support of the US Congress.

Sincerely,



Dave McCurdy
President and CEO
Electronic Industries Alliance